

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201501017**
Release Date: 1/2/2015
Date: October 11, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= School Name
C= Location
x=Number
y dollars= Amount

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a Non-Exempt Charitable Trust (NECT) described in Section 4947(a)(1) and also a private foundation. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(c)).

Description of your request

Your letter indicates you will operate a scholarship program. You engage in charitable activities by enhancing access to higher education. Specifically, you provide scholarships to graduating seniors of B in C who wish to attend college or vocational school at an accredited institution. In the event the C school district is merged or goes out of existence, scholarship funds will be made available, where possible, to high school graduates living within the C school district geographic boundaries at that time.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942. The approximate number of scholarships available annually is in the range of x while the dollar amount a recipient may receive annually is in the range of y dollars.

To be eligible, the applicant must have a minimum of a 3.0 grade point average after seven semesters of high school, plans to attend an accredited college or vocational school, and complete an application. Your application requires students to submit an essay, two letters of recommendation, official transcripts with ACT test scores, and a listing of extracurricular activities, work experience, and financial information. Completed applications are submitted to the office of the superintendent of the C school district. Your scholarship is advertised through publication on B's website.

Your scholarship selection committee is made up of three members: the mayor of C, the superintendent of the C school district, and one individual. In the event of a vacancy, the remaining committee members shall appoint a new member so that at all times there are three members on the committee.

Each year, your trustee advises the scholarship committee of the amount of funds available to be awarded as scholarships. The members of the committee review the applications and rank students based on grade point average, extracurricular activities, essays and letters of recommendation, and financial need. Financial need is determined after considering the student's personal savings, family resources, college financial aid, other employment and other scholarships. The committee makes the selection(s), determines each recipient's amount and notifies your trustee.

You pay the award directly to the university/college the recipient(s) will attend. You provide a letter to each university/college specifying acceptance of the funds constitutes their agreement to (i) refund any unused portion of the scholarship if a recipient fails to meet any terms or condition of the scholarship; and (ii) notify you if the recipient fails to meet any term or condition of the scholarship. If the university/college will not agree to such terms you will obtain the needed reports and grade transcripts from the scholarship recipient(s). Your scholarships are not renewable.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded investigate diversion of funds from their intended purposes, and (2) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (3) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations